FISCAL NOTE

HB 3156 - SB 3275

March 15, 2006

SUMMARY OF BILL: Adds "motorized recreational vehicle facility parking areas if utility services are provided" to the types of lodging or accommodations furnished to transients that are taxable under current state sales and use tax law. Reduces from 90 to 60 the number of continuous days one transient person may lodge without paying sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Net Impact - $151,600

Decrease Local Govt. Revenues – Net Impact - $48,700

Assumptions:

- Taxing services provided by *motorized recreational vehicle facilities where parking areas are provided utility services* may generate some incremental tax revenues if there are such facilities in Tennessee that currently do not charge sales tax.
- It is estimated that most of these facilities would charge sales tax either as a tourist court or a tourist camp.
- Taxable sales are estimated to increase $500,000 per year.
- The increase to state sales tax revenue as a result of the proposed inclusion is estimated to be $35,000 ($500,000 X 7% state rate = $35,000).
- The increase to local option tax revenue as a result of the proposed inclusion is estimated to be $11,250 ($500,000 X 2.25% local option rate = $11,250).
- Reducing the period of time considered an "extended-stay" would allow additional transactions to become exempt from sales and use tax.
- The Department of Revenue has indicated approximately $8,000,000 in sales occur each year are exempt due to the 90-day extended-stay exemption.
- Reducing the period of time considered an "extended-stay" by one-third (30 days) increases exempt sales by one-third.
- The incremental exempt sales is estimated to be 2,666,400 ($8,000,000 X 33.33% = $2,666,400).

- The decrease to state sales tax revenue resulting from the proposed "extended-stay" requirement is estimated to be $186,648 ($2,666,400 X 7% state rate = $186,648).
- The decrease to local option tax revenue resulting from the proposed "extended-stay" requirement is estimated to be $59,994 ($2,666,400 X 2.25% local option rate = $59,994).
- The net decrease to state revenues is estimated to be $151,600 per year.
- The net decrease to local government revenues is estimated to be $48,700 per year.
- This act shall take effect on July 1, 2006.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director